

## Message Text

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FM SECSTATE WASHDC

TO USMISSION EC BRUSSELS

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FOLLOWING REPEATS STATE 097097 ACTION OECD PARIS APRIL 26TH

QUOTE

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E.O. 11652:N/A

TAGS:ETRD, OECD

SUBJECT: US POSITION ON COMMODITY ISSUES FOR OECD TRADE  
COMMITTEE MEETING, APRIL 30

REF: (A) OECD 9331, (B) OECD 6533

1. HAVE RECEIVED IN WASHINGTON OECD DOC CE(75)5 WHICH  
SUMMARIZES TASK FORCE FINDINGS AND PRESENTS POSSIBLE  
LINES OF ACTION TO BE CONSIDERED BY TRADE COMMITTEE AND  
SUBSEQUENTLY BY XCSS; WE HAVE NOT RECEIVED DETAILED BACK-  
GROUND PAPER MENTIONED IN SYG NOTE. BASED ON REPORT XCSS  
(REFTEL B) AND OF TASK FORCE MEETING (REFTEL A) IT IS OUR  
UNDERSTANDING THAT TRADE COMMITTEE WILL NOT REVISE PAPERS  
BUT MAY SUBMIT ORAL OR WRITTEN COMMENTS ON THEM WHICH WILL  
BE FORWARDED TO MAY 6-7 XCSS MEETING. US DEL TO TRADE  
COMMITTEE SHOULD DRAW ON FOLLOWING PARAS IN ORALLY COMMENT-  
ING ON SECRETARIAT'S PAPER.

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2. SECRETARIAT PAPER DOES NOT APPEAR TO ACCURATELY REFLECT

EXPERTS' CONSENSUS REPORTED REFTEL (A) I.E., THEIR OBJECTION TO EMPHASIS ON NEED FOR EMERGENCY STOCKPILE ACTION TO DEAL WITH PRICE LEVELS AND THE THREAT OF UNDERINVESTMENT, PAPER ALSO IGNORES IMPORTANT POINT RAISED AT EXPERTS MEETING, I.E. THE RECOGNITION OF THE INDIVIDUALITY OF VARIOUS COMMODITY PROBLEMS AND THE RESULTING NEED TO TAILOR SOLUTIONS TO THE PARTICULAR PROBLEMS AND OBJECTIVES.

3. ALTHOUGH REPORTING CABLE INDICATED SOME DIFFERENCES IN VIEWS BETWEEN THE SECRETARIAT AND EXPERTS AND ALSO AMONG EXPERTS, IT WAS AGREED THAT COPPER, RUBBER, WOOL AND LEAD AND ZINC, AND TUNGSTEN SHOULD BE GIVEN PRIORITY CONSIDERATION. SECRETARIAT NOTE GIVES NO HINT OF POSSIBLE OPTIONS TO DEAL WITH THESE SPECIFIC SITUATIONS. WE ALSO NOTE THAT DESPITE FACT THAT EXPERTS DID NOT AGREE WITH SECRETARIAT CONCLUSION THAT EMERGENCY ACTION THROUGH EXTENSIVE STOCKPILING WAS NECESSARY, SECRETARIAT PAPER STILL RETAINS THIS CONCEPT.

4. IN ABSENCE OF SECRETARIAT REDRAFT OF BACKGROUND PAPER WE UNABLE TO JUDGE HOW ACCURATELY REVISION REFLECTS EXPERTS VIEWS OR HOW POSSIBLE LINES OF ACTION ADVANCED BY SECRETARIAT FLOW FROM REVISED SECRETARIAT ANALYSIS. (REFTEL B NOTED THAT COMPLETE REVISION OF SECRETARIAT PAPER WOULD BE MADE.) CONSIDERING SECRETARIAT'S DOCUMENT OF FINDINGS AND POSSIBLE ACTIONS ON ITS OWN MERITS, HOWEVER, SEVERAL OF THE IDEAS ADVANCED APPEAR TO REPRESENT INTERESTING POSSIBLE LINES OF EXPLORATION FOR ACTION (EMERGENCY ACTION NOT AMONG THEM) BUT NEED CONSIDERABLY MORE FLESHING OUT BEFORE ANY JUDGMENT CAN BE MADE AS TO THEIR ACCEPTABILITY. WE NOTE THE OMISSION OF ANY PROPOSALS FOR COMMODITY EXPORT STABILIZATION SCHEMES ALONG LINES OF EC STABEX AND U.K. PROPOSAL AND WOULD BE INTERESTED IN REASONS FOR ITS EXCLUSION FROM PAPER.

5. THE SECRETARIAT APPROPRIATELY HIGHLIGHTS THE DIFFICULT POLICY PROBLEMS RAISED BY POSSIBLE UNILATERAL ACTIONS BY OECD COUNTRIES TO ASSURE SECURITY OF SUPPLY (PARAS 23-25). IN VIEW OF THE SERIOUS QUESTIONS RELATING TO THE ECONOMIC EFFICIENCY OF SUCH ACTIONS, AND POLITICAL LIMITED OFFICIAL USE

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AND ECONOMIC IMPACT OF SOME OF THEM ON LDCS (E.G., THE ENCOURAGEMENT OF SPARE SYNTHETIC CAPACITY RUNS COUNTER TO THE DESIRES OF LDC PRODUCERS OF COMPETING NATURAL PRODUCTS AND IMPLIED POSSIBLE RESORT TO TRADE BARRIERS) WE WOULD BE INTERESTED IN HEARING MORE OF SECRETARIAT'S PROPOSALS ALONG THESE LINES.

6. CONCERNING PARA. L3 TO L8 ON COMMODITY AGREEMENTS,

AND LONG-TERM CONTRACTS, THE U.S. POSITION ON THESE PROPOSALS WILL HAVE TO AWAIT A USG INTERAGENCY REVIEW OF US COMMODITY POLICY NOW UNDER WAY. WE DO HOWEVER FIND DISCUSSIONS OF THESE IDEAS IN THE OECD USEFUL. IT IS NOT CLEAR WHAT THE SECRETARIAT HAS IN MIND IN PARA. L4 ON QUOTE LESS FORMAL ARRANGEMENTS UNQUOTE AND IT WOULD BE USEFUL TO HAVE THIS IDEA PRESENTED IN A LITTLE MORE DETAIL.

7. FYI. WITH REGARD TO USING SECRETARIAT PAPER AS BASIS FOR MINISTERIAL DECLARATION, IT IS OUR UNDERSTANDING THAT FUNCTION OF THIS TRADE COMMITTEE MEETING IS NOT TO MAKE RECOMMENDATIONS FOR OR AGAINST THIS IDEA. HOWEVER U.S. DEL MAY AT HIS DISCRETION REITERATE THE DOUBTS EXPRESSED BY UNDER SECRETARY ROBINSON ABOUT THE BENEFITS TO BE GAINED FROM SUCH A DECLARATION BY THE OECD. THERE IS CONSIDERABLE SKEPTICISM AMONG WASHINGTON AGENCIES THAT THE ISSUANCE OF A DECLARATION OF GENERAL PRINCIPLES WILL ACHIEVE THE POLITICAL IMPACT ON LDCS DESIRED (E.G, BRINGING THE LDCS INTO A MORE REALISTIC BARGAINING ON THE ISSUES INVOLVED.) SOME OF OUR OFFICIALS QUESTION WHETHER THERE IS IN FACT A BASIS FOR A DECLARATION AND FEAR THAT A STATEMENT OF GENERAL PRINCIPLES WHICH DEVELOPED COUNTRIES HAVE MAINTAINED IN INTERNATIONAL FORUMS, BUT WHICH HAVE BEEN UNACCEPTABLE TO THE LDCS, MIGHT BE COUNTERPRODUCTIVE. OTHERS THINK THAT A FIRM STATEMENT OF WHAT OECD COUNTRIES ARE PREPARED TO CONSIDER AND ONE WHICH WOULD BE FOLLOWED UP BOTH IN SPECIFIC TRADE NEGOTIATING FRAMEWORKS AND IN THE UNGA SEVENTH SPECIAL SESSION NEXT FALL MIGHT PROVE PRODUCTIVE. WE WOULD LIKE TO HAVE A FULL DISCUSSION IN THE XCSS AS TO THE BEST STRATEGY TO FOLLOW FOR DEALING REALISTICLY WITH LDCS IN THOSE AREAS OF PRIORITY CONCERN TO BOTH THE DEVELOPING AND DEVELOPED COUNTRIES. END FYI. LIMITED OFFICIAL USE

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USDEL SHOULD REPORT IN DETAIL ON THE THINKING OF OTHER DELEGATIONS TO ASSIST USDEL TO MAY 6-7 XCSS MEETING. KISSINGEY UNQUOTE

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